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FOLLOW-UP TO THE SEVENTH SPECIAL SESSION: DRAFT BUSINESS PLAN OF THE INTERSESSIONAL WORKING GROUP ON THE FUTURE ROLE AND FUNCTIONS OF UNIDO

Progress report of the Chairman of the Intersessional working group on the future role and functions of UNIDO

Mr. István Posta (Hungary), Vice-President of the seventh special session
of the Industrial Development Board

Introduction

1. The Industrial Development Board at its seventh special session decided, in its decision IDB/S.7/Dec.3(d), to establish an intersessional working group with equitable geographical representation under the chairmanship of Mr. I. Posta (Hungary), to advance further the process of definition of the future role and functions of UNIDO. In paragraph (f) of the decision, the Chairman of the Intersessional working group was requested to submit a progress report to the Board not later than its seventeenth session. The present report is submitted in compliance with that request.

2. The Intersessional working group met in an organizational session on 9 May 1997 and subsequently met four times (28 May, 16, 17 and 23 June 1997). An informal group, the Friends of the Chair, met five times (14 May and 3, 6, 10 and 12 June 1997).

3. The discussions covered the future activities of UNIDO, under which two main clusters of activities were defined: Strengthening of industrial capacities and Cleaner and sustainable industrial development. A number of

activities were identified for discontinuation and other activities were designated as deserving added emphasis. The discussions on the programme and budgets, 1998-1999, centred on format and presentation, a ceiling and a new organizational structure of the Organization. With respect to the latter, a general structure and the functions of senior- and middle-management staff were discussed. The establishment was proposed of an advisory body to provide a mechanism for regular intersessional dialogue between Member States and the Director-General.

4. At the meetings of the Intersessional working group, the Secretariat provided information and advice on the subjects of the future organizational structure of UNIDO, the UNIDO programme on industrial infrastructure development through build-operate-transfer (BOT) projects, on the format and presentation of the programme budget, 1998-1999, and on the activities of the UNIDO offices in Geneva and New York.

5. The results of the work of the Intersessional working group are contained in the Draft business plan on the future role and functions of UNIDO that appears in the annex to the present document.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

*Annex****DRAFT BUSINESS PLAN ON THE FUTURE ROLE
AND FUNCTIONS OF UNIDO***

In the context of the ongoing reform process, the present draft business plan provides the basis for enabling UNIDO to adapt its functions and priorities and orient its activities to the new realities of the changing global economic environment and ensure its viability and efficiency.

UNIDO will concentrate on those support functions in which the Organization has a comparative advantage over other multilateral development organizations and bilateral assistance. Activities will be directed primarily to support institutions rather than to individual enterprises, thus emphasizing upstream activities such as policy advisory services and institutional capacity-building. Support will be provided for the development of small and medium enterprises (SMEs) as the principal means for achieving equitable and sustainable industrial development. Emphasis will be given by UNIDO to the integration of women in industrial development.

UNIDO will provide its support primarily in comprehensive packages of integrated services and will further strengthen its existing capacity in this regard through interdisciplinary team-building.

While sharpening its focus in accordance with the above direction, UNIDO should continue to pursue the implementation of its mandates to support and promote the sustainable industrial development of developing countries and countries with economies in transition. Preserving the universal character of the Organization, UNIDO will give special emphasis to least developed countries, in particular in Africa.

Throughout its programmes, UNIDO will promote international industrial cooperation: between developed and developing countries, among developing countries and between developing countries and countries with economies in transition.

Future activities of UNIDO

The activities of UNIDO will be regrouped in two areas:

A. Strengthening of industrial capacities

1. Promotion of investment and related technologies;
2. Programmes in support of the global forum function and policy advice, including those relating to:
 - (a) Industrial policy advice based on action-oriented research;
 - (b) Institutional capacity-building at the country and sectoral levels;
 - (c) Quality, standardization and metrology;

- (d) Industrial information through networking, including information on the transfer of technology;
- (e) Industrial statistics.

B. *Cleaner and sustainable industrial development*

1. Support programmes on environmentally sustainable industrial development strategies and technologies, including on transfer of environmental technologies within industrial subsectors assigned high priority;
2. Development of specific norms and standards relating to environmentally sustainable industrial development strategies and technologies, and implementation of international protocols, agreements and conventions.

The above implies discontinuation of a number of activities:

- (a) Activities in the field of privatization;
- (b) Separate enterprise-level interventions not linked to the institutional or policy level;
- (c) The preparation of project-specific feasibility studies within investment promotion activities, while maintaining a basic training capacity on relevant methodologies;
- (d) Promotion of advanced technologies without proven industrial use;
- (e) Research and industrial studies which are not clearly target-oriented;
- (f) Activities in the field of energy, except those related to improvement of energy-efficiency of industries and to cleaner production;
- (g) Activities in non-agro-based industries (engineering, metallurgical and chemical industries), unless related primarily to environmental issues or to agro-based industries;
- (h) Services in relation to industrial subsectors which have already been assigned low priority;
- (i) General activities related to country-level programming at Headquarters, in light of the future changes in field representation;
- (j) Human resources development activities not integrated in a specific project or programme;
- (k) Emergency relief activities with no industrial development aspect.

The discontinuation of activities will apply to new projects only. It is understood that approved projects will be implemented in accordance with the relevant project documents.

Concentration of activities

While maintaining its universal character and vocation, a geographical, sectoral and thematic concentration of the activities of UNIDO will be pursued by giving added emphasis to the following:

- (a) Services to LDCs, in particular in Africa, with special attention to the regional and subregional level;
- (b) Services in support of agro-based industries and their integration through subsectoral linkages into national industrial structures;
- (c) Services in support of SMEs and their integration into national industrial structures.

Financing and budget

The format and presentation of the programme and budget document is to be revised to reflect a programmatic approach, in particular by grouping the substantive activities of the Organization into two major programme areas covering (a) the strengthening of industrial capacities and (b) cleaner and sustainable industrial development.

The preparation of the proposed 1998-1999 programme and budgets should be based on the programmes as elaborated in the business plan, reflecting a number of issues, i.e. changes in membership, discontinuation of activities, streamlining the organizational structures and introducing efficiency-enhancing measures. In this respect, an indicative level of 20 per cent and 10 per cent reduction of the budget is proposed for the preparation of the budget proposals.

Budgetary adjustments are to be achieved by:

- (a) The introduction of efficiency-enhancing measures, including, *inter alia*, outsourcing of some administrative activities, reduction in the number and/or length of policy-making organs meetings, and reduction in non-staff expenditure items, including travel, publications, consultants and meetings;
- (b) The discontinuation of activities;
- (c) The streamlining of organizational structures.

It is understood that the implementation of budgetary adjustments could result in costs for staff separations in the programmes affected.

New approaches to (a) enhance funds mobilization, including cost-sharing arrangements for programmes and (b) promote the timely payment of assessed contributions by Member States are to be pursued.

New organizational structure

The structure of UNIDO will emanate from the business plan and, based on the two clusters, will include the following substantive divisions: (a) Investment promotion and institutional capacity-building, and (b) Sectoral support and environmental sustainability. A third component will comprise functions related to

administration, operational support and coordination of field representation. The Office of the Director-General will include a small organizational unit dealing with functions related to policy coordination, external relations, legal advice and internal audit.

In the interest of ensuring a flat organizational structure, the head of one of the three organizational components will be designated, on a continuing basis, to act as deputy to the Director-General, whose responsibilities shall include coordination within UNIDO and acting on behalf of the Director-General, in the case of the latter's absence from Vienna. Also in keeping with the leaner hierarchical structure, authority will be delegated to the maximum extent possible to the middle-management levels of the Organization, whose role would be accordingly strengthened.

[To ensure a greater guiding role by Member States in the reform of UNIDO, consideration will also be given to the utilization of the Enlarged Bureau as an advisory body, that would provide a mechanism for regular intersessional dialogue between Member States and the Secretariat.]

In defining the organizational structure of the Organization, an effective decentralization of activities and strengthened field representation has to be secured. This implies, *inter alia*:

- (a) Redeployment of resources and professional staff with required level of expertise from Headquarters to the field;
- (b) Appropriate delegation of authority;
- (c) Formulation of key functions and responsibilities of field offices.

In this context, subregional offices will be established wherever functionally justified. Contributions from host countries, through cost-sharing or other arrangements, as well as the particular situation of the least developed countries, will be important elements to be taken into account when determining the location of individual field offices.

Functional and programmatic coordination between UNIDO field representation and that of other United Nations bodies have to be improved. UNIDO country offices will be integrated in a unified United Nations representation whenever feasible and cost-effective.